

## Financial Guidelines for Grant Agreements Annex 3a

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## Introduction

The following regulations apply unless explicitly agreed otherwise. These guidelines explain in seven steps the most important contractual provisions relating to the financial management of the Grant Agreement (hereinafter referred to as the 'Agreement').

The **Project processing number** and **Agreement number** as indicated on the cover page of the Agreement must be cited in any correspondence and/or reporting relating to the Agreement.

The GIZ standard templates to be used for the purpose of accounting in connection with funds received are attached as Annexes 3b-g. All documents are available in electronic form on the [GIZ website](#) (under the heading 'Grant Agreement').

Documents which are printed double-sided cannot be accepted.

All forms/templates must be originally signed by hand, addressed to GIZ **without** indicating the name of a particular GIZ staff member and sent together with all annexes by post to the address indicated below. If the courier service requires the name of a particular GIZ staff member to be indicated, a separate accompanying letter may be included.

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## 1 Annex 3b – Schedule of financial requirements

The schedule of financial requirements shall be submitted after signing the Agreement and must be filled in for every individual reporting period of the entire term of the Agreement and in accordance with the agreed main budget lines as indicated in Article 1.2 of the Agreement. The number of months covered by each period is specified in the Agreement. The schedule of financial requirements must be submitted at the latest with the first request for pre-financing instalment. If, during the course of the Agreement, the submitted figures are no longer correct, the Recipient must submit to GIZ a revised schedule of financial requirements for the entire term of the Agreement.

## 2 Annex 3c – Pre-financing instalments

### 2.1 How to prepare a request for a pre-financing instalment

All instalments have to be requested individually, each for the specific period in accordance with the amount stated in the schedule of financial requirements. Each pre-financing instalment constitutes an advance payment and shall be requested by using the ‘Pre-financing instalment’ template.

### 2.2 Bank account verification

At the latest with the first request for pre-financing instalment, the Recipient shall provide confirmation by its bank that the bank account indicated is held by the Recipient. This confirmation can take the form of a digital bank confirmation deemed verifiable for audit purposes. The confirmation should preferably be in English, or a corresponding English, Spanish, German or French translation must be provided. Alternatively, the template provided in Annex 3h may be used. A new confirmation is required any time the bank account number changes.

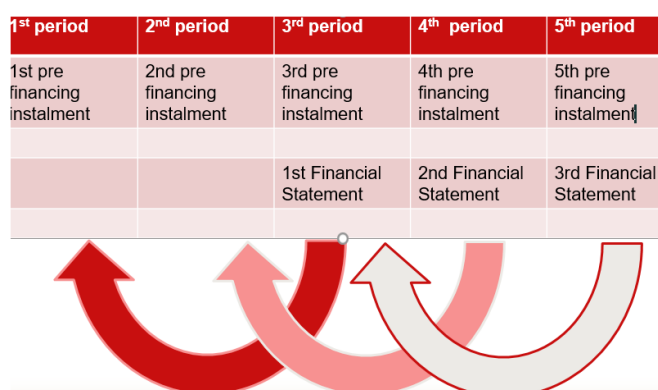
### 2.3 Separate sub-account or separate cost unit

With the first request for pre-financing instalment, the Recipient shall confirm whether it wishes to settle the financial transactions through a separate sub-account or a separate cost unit by checking the appropriate box on the ‘Pre-financing instalment’ template.

## 2.4 Subsequent pre-financing instalments

Starting from the third period, the request for each pre-financing instalment must be accompanied by a financial statement providing evidence of the use of funds for the penultimate period (see figure below) – unless different reporting periods are explicitly agreed.

Funds remaining from previous instalments will be deducted from the next pre-financing instalment by GIZ.



*From the third period: Financial Statement for pre-financing instalments for the penultimate period*

## 3 Financial Statements – Annexes 3d-f

Each financial statement must be presented using the following complete set of templates 3d-f.

Revised financial statements sent after submitting a first version to GIZ will not be accepted – unless requested otherwise by GIZ. Each financial statement submitted to GIZ must show the same cost results as the documents which will be submitted to the auditor.

If some of the actual costs need to be corrected, it is only possible to do so in subsequent financial statements. If an incorrect amount was entered in a previous financial statement, that amount must be booked and marked as a complete cancellation in the next financial statement.

If necessary, actual costs that have not been submitted yet and that relate to previous periods can be entered in the current financial statement.

Audit findings and findings made by GIZ will be considered by GIZ and communicated to the Recipient. The implementation of these findings shall be handled separately from the regular financial statements. The Recipient shall not make additional adjustments in the subsequent financial statements in this regard.

The final calculated cumulative total amount for all financial statements shall not exceed the total amount of the Agreement.

### 3.1 Covering note / Annex 3d

The Recipient is advised to fill in the Annex 3d template first as the agreement data and Project processing number are automatically transferred to the other templates. The Recipient shall enter the data in each field – except for the total amount, which appears automatically after completing the ‘Totals per category’ template.

#### 3.1.1 Cofinancing

If a cofinancing amount by the Recipient and/or third parties is agreed, the Recipient shall include the cofinancing confirmation in the corresponding field of the financial statement covering note. All cofinancing parties shall be entered separately, indicating the name and amount of the contribution provided in each case.

If the actual costs for the Project to be financed by several parties amount to less than the estimated costs, the Recipient shall inform GIZ accordingly before the final financial statement is submitted. At the latest when GIZ reviews the final financial statement, GIZ will inform the Recipient about its decision whether to reduce its grant in the same proportion as the actual costs are reduced in relation to the estimated costs.

### 3.2 Breakdown per category / Annex 3e

The breakdown sheets/ Annex 3e must be filled in once for each budget line.

#### 3.2.1 Budget lines / Example

TEMPLATE		
Budget / Schedule of Estimated Expenditures		
Name of the Recipient: XXX		
Description	Amount	Unit (e.g. person, vehicle, room, unit)
<b>1. Staff (Job Title)</b>		
<b>2. External Expenses (Job Title)</b>		
<b>3. Travel Costs</b>		
<b>Maintaining costs</b>		
<b>4. Procurement of Goods</b>		
<b>5. Other costs / Consumables</b>		
<b>Subtotal - direct costs</b>		
<b>7. Supporting cost / Administration costs</b>		
Administration costs (communication, rent, bank charges, etc.)	5	unit
<b>8. Forwarding of Funds</b>		
- a detailed budget needs to be provided -		
XYZ (name of the final recipient)	1	unit
<b>9. Own funds / third party financing</b>		
ABC (name of the financing party)	1	unit
XYZ (name of the financing party)	1	unit
<b>Grand Total (up to - against evidence)*</b>		

\*All budget lines (with the exception of the administration costs) will be

Budget line

Sub-budget lines

The term 'budget lines' refers to the heading lines no 1-9 of the template shown above. For each of these budget lines one single breakdown sheet has to be created, except for Supporting cost/Administration costs (no 7) – if contractually agreed.

The sub-budget lines are sub-categories to the budget lines and set out in detail for which items the grant may be used. All actual costs booked in the breakdown sheet have to match these sub-budget lines and the entered text at 'reason for payment' must refer to them.

### 3.3 Overspending

As set out in the Agreement, it is possible to spend up to 20% more than the amount specified for each budget line, with the exception of administration costs and forwarding of funds if these items are contractually agreed.

Any overspending must be compensated by corresponding lower spending in one or more of the other budget line/s. The Recipient shall inform GIZ of any such reallocation of spending between budget lines when submitting the financial statements.

Overspending of more than 20% is not possible unless a written contract supplement is concluded beforehand.

### 3.4 Filling in Breakdown per category / Annex 3e

Each supporting document may only be entered once. Each supporting document must be designated a distinct entry number. For each supporting document, a clear and plausible reason for its payment shall be entered that is verifiable with reference to the budget. 'Date of voucher' refers to the actual date of the document in question.

It is not permitted to aggregate cumulative breakdowns or financial statements.

The Recipient shall enter actual direct costs only – no lump sums or advance payments to third parties shall be included.

The Recipient shall fill in each field but may not modify the form or enter any further lines or columns. If more lines are needed, additional templates may be used (as many as needed) and the subtotal be carried over from one template to the next.

All actual costs must be allocated to the correct budget lines and must be listed chronologically, i.e. each voucher must be listed individually using the corresponding template 3e. In addition, all types of income must be entered.

Administration costs, if contractually agreed, have to be calculated in each financial statement as a percentage mark-up on current direct costs. Usually, this is the only budget position for which no supporting documents and no breakdown sheets have to be submitted.

### 3.5 Supporting documents / vouchers / evidence

With the exception of administration costs, all amounts and units of the Estimated Budget are settled against subsequent provision of evidence for each amount.

If the Recipient is required to submit copies of supporting documents for cost items exceeding the amount specified in the Agreement, the Recipient shall submit copies of each of the original cost vouchers pertaining to the budget financed by the GIZ grant. The Recipient has to make sure that all copies of supporting documents are verifiable, numbered and sorted according to the breakdown of the specific budget line.

As a general rule, supporting documents are external documents, in particular:

- supplier's invoices, third-party invoices made out to the Recipient
- vouchers and bills, receipts from third parties to the Recipient.

For the purpose of clarification, the following does not qualify as supporting documents for actual costs unless otherwise agreed within the Agreement:

- bank transfer document
- internal bookkeeping documents without direct evidence for actual costs.

The Recipient has to make a clear distinction with regard to the supporting documents for staff costs and costs for external experts contracted by the Recipient. In the context of these Financial Guidelines, the terms "staff" and "external experts" are defined as follows:

Staff	External Experts
<ul style="list-style-type: none"> <li>• Employee of the Recipient with employment contract, subject to social contributions</li> <li>• Receives a salary</li> </ul>	<ul style="list-style-type: none"> <li>• External</li> <li>• No employment contract with Recipient</li> <li>• Procurement rules may apply → service contract</li> <li>• Independent /they work on bill or invoices</li> </ul>

Only direct actual costs are acceptable as staff costs. The accepted supporting documents are, cumulatively:

- Copies of payslips as proof for gross salaries for each month and person; the Recipient is entitled to anonymise the copies of payslips; it is important that all amounts, the current month and the (handwritten) function/position of a staff member are legible.
- Timesheets (ideally with hourly breakdowns) for each single month and person are only necessary if part-time employees are working for the Project. If the timesheet is not in a form that is verifiable for audit purposes, the Recipient can use the template Annex 3h.
- Calculation sheet explaining plausibly the calculated monthly gross salary, daily or hourly amounts including all details and at the end the amount which is booked in the breakdown sheet.
- Gross salaries plus employers' share shall be booked in the breakdown sheets for each month with one amount per person.

The accepted supporting documents for external experts are:

- invoices from the experts or consulting company in accordance with their service contracts. If no invoices are agreed in the service contracts, the copy of the service contract and a payment documentation can be submitted as evidence.

With the exception of payslips and timesheets, external supporting documents must be addressed to the Recipient, and not to any individual or third party. In the case of sub-grants to final recipients, supporting documents must be addressed to the final recipient.

All elements of the vouchers that are relevant for proving the use of funds must be available in, or translated to, one of the contractually agreed languages.

The Recipient must keep together and store all original vouchers/supporting documents for the length of time agreed in the Agreement. The same applies to any vouchers/supporting documents from final Recipients.

### 3.6 Exchange rate

Each voucher must be submitted in the original currency and converted to euro.

For the conversion, the exchange rate applicable at the time the amount disbursed by GIZ for the relevant pre-financing instalment was credited to the Recipient's account shall be used. As evidence, the Recipient shall submit proof from the bank showing the amount that was credited to its account in local currency.

ABC Bank - Registered Bank PO Box 111 Johannesburg 2000 Date of Statement: 1 April 2018 Page 1 of 1				
e period 1 March 2018 to 31 March 2018				
in	Reference	Debit	Credit	Balance
in	D5000		5 000.00	3 193.00
	D5001		3 000.00	8 193.00
	106	342.00		11 193.00
	107	570.00		10 851.00
	108	750.00		11 281.00
	109	150.00		9 531.00
	110	285.00		9 381.00
	111	100.00		9 096.00
	SF	45.00		8 996.00
				8 951.00

Subsequent pre-financing instalments may be subject to different exchange rates. The Recipient shall continue applying the same exchange rate until an instalment received has been spent in full, then use the exchange rate applicable to the next pre-financing instalment.

If such proof from the bank cannot be provided, e.g. because several different currencies are used, and after GIZ has given their consent, the amounts may be converted to the foreign currency based on the [EU currency converter InforEuro](#). Alternatively, upon approval by GIZ, the Recipient may also use its own certified exchange system, provided that the latter complies with international standards comparable to InforEuro.



### 3.7 Sub-Grants / Forwarding of funds

It is only permitted to forward funds if this is contractually agreed and the funds are budgeted in the position 'Forwarding of funds / Sub-grants to Final Recipients'. (In cases where goods and services are purchased using grant funds, a procurement process needs to be applied.)

The Recipient shall ensure that the terms and conditions of the Agreement are applied equally to the contractual relationship between the Recipient and the final Recipients

Pre-financing instalments paid to such final Recipients do not yet qualify as costs upon disbursement and thus cannot be settled as actual costs in the financial statements sent to GIZ. Accordingly, pre-financing instalments paid to final Recipients must be entered in the separate field in the financial statement 3f. Only when final Recipients have sent their financial statements and evidence for actual costs, these can be entered as costs in the financial statements sent to GIZ by the Recipient.

Each final Recipient shall also use the financial statement templates 3e 'Breakdown of expenditures per category' and 3f 'Totals per expenditure category' to report their respective total costs to the Recipient.

The Recipient is responsible for checking and approve the financial procedure, the actual costs and the award procedure of all final Recipients. This check shall be conducted in the same period cycle as agreed in the Agreement.

The Recipient shall check the assignment of actual costs of each final Recipient to the correct budget lines and the option to spend up to 20% more than the amounts indicated in any of the budget lines (except for administration costs if contractually agreed), provided that this is compensated for by a corresponding reduction in the same amount in one or more of the other budget lines.

Invoices/vouchers as an evidence of costs settled by final Recipients must be addressed to the respective final Recipient.

For each period, the Recipient shall report the checked actual costs incurred by its final Recipients to GIZ by indicating one total amount for each final Recipient in the breakdown sheet titled 'Forwarding of Funds'.

The Recipient is further required to submit all copies of the financial statements and all copies of supporting documents of each final Recipient.

For supporting documents submitted by the final Recipients, the same minimum threshold per cost item as agreed with the Recipient shall apply.

### 3.8 Totals per category / Annex 3f

This template provides an overview of the current and previous costs and the Recipient's remaining budget for each budget line. The Recipient shall fill in all the fields and conduct a final check of the results of the remaining funds for each budget line.

### 3.8.1 Contractual amendments

Changes to existing contracts can only be made during the term of the agreement and must take the form of a written contract supplement. If necessary, please provide the GIZ with an official request for contract supplement within the Agreement period.

### 3.8.2 Retained amount

GIZ will deduct from the total payments the agreed security retention amount and, after the Recipient has fulfilled all obligations, the final amount will be paid in accordance with the total actual costs up to the amount retained from the grant.

If an external audit is agreed, GIZ reserves the right to retain 20% of the security retention amount until the external audit report has been handed over to GIZ.

The final amount will be paid in accordance with the total confirmed costs up to the amount retained.

### 3.8.3 Repayment to GIZ

In case of a repayment to GIZ, the Agreement number must be entered as reference.

## 4 Annex 3g – Inventory, handing over of equipment

Any items financed from the GIZ grant whose purchase or manufacturing costs exceed the amount of EUR 800 must be inventoried using the template in Annex 3g.2.

An inventory list must be submitted with each financial statement.

If the final beneficiaries of the items have not yet been determined upon conclusion of the Agreement, future ownership of these items should be clarified with GIZ no later than three months prior to the completion of the Project.

GIZ is entitled to determine and decide at its sole discretion to take any steps with regard to these items that are in the best interest for the continued operation of the Project.

The transfer of ownership to any third parties must be documented using the template in Annex 3g.1, which must be signed by both parties and submitted with the current inventory list at the latest with the final financial statement.

## 5 Annex 4a and 4b Award Procedure/ Procurement Guidelines 2020

For the procurement of goods and services, the corresponding Article within the Agreement applies.

It is mandatory to document the award process in accordance with the contract award documentation (Annex 4b). The documentation shall be made available to GIZ or the auditing company on request.

## 6 Audit information

If GIZ commissions the certified public accountant to audit the Project as agreed, GIZ will inform the Recipient as to when the audit will take place. The Recipient will be contacted by the certified public accountant in due time and will receive further information about the audit process and the documents needed.

With regard to the contractually agreed audits, the Recipient shall be able at the latest two months after each of the agreed audit period(s) to present the relevant documents well-prepared and ready for the audit. Notwithstanding the foregoing, the Recipient has to be prepared at any time that GIZ or any third parties authorised by GIZ require access to review the books and any other records and documents relevant for the implementation of the Project.

## 7 Contact

If you have further questions, please contact the officer responsible for the financial management named on page 1 of the Agreement.